



TERNA ENERGY S.A

Outlook:

We upgrade TERNA's fair estimated price to 4.20Euros/Share, due to the acceleration of target capacity implementation, the better-than-expected growth in revenues generated from the other operating sectors and the overall improvement in the company's profitability.

9M 17 Results:

TERNA's consolidated revenues came out at 208.30mn.Euros, a 40.00% increase on a nine-month basis.

Revenues generated from "Renewables" sector marked a 19.9% increase from the previous period surpassing our expectations that indicated an 8.00% growth for the respective period.

Operating Earnings reached 106.8mn.Euros vs. 78.9mn.Euros respectively.

Net Profitability stood at 19.30mn.Euros. vs. 14.30 on a nine-month basis.

Date: 11/12/17

FAIR ESTIMATED PRICE: **4.20Euros/Share**

Investment Thesis: **FW**

Key Statistics:

Valuation	11/12/2017
Share Price	4,32
Price High 52 week	4,46
Price Low 52 week	2,57
Current num. of shares	109.314.400
Trailing P/E	25
Market Cap.	472.238.208
EPS (Trailing)	0,18
DPS(Proposed)	N/A
<i>*Closing Price as 08/12/2017</i>	

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TERNA's 9M'17 results were characterized by the (earlier than our expectations) implementation of additional MW to the company's Renewables portfolio capacity which makes the target of 1GW in implemented capacity feasible in fiscal year 2018, the substantial revenue generation of the Concession sector and the boost in operating and net earnings recorded.

The "Renewables" sector revenues reached 125.6mn.Euros, +19.90% than the 9M'16 and above our expectations that called for +8.20%. According to the 9M'17 statements, the Energy portfolio's capacity reached 941MW surpassing our estimates regarding the planned capacity expansion. Moreover, the company is ready to implement additional 208MW in order to reach 1.149MW by late 2018. We note that the other operating sectors performed equally well, excluding the "Electric trading" sector which underperformed, with significant growth which is mainly related to the overall Renewables activity and to public infrastructure projects (especially for the "Concessions" sector).

In terms of operating profitability, there are clear signs that the company operates in a more efficient manner as we evidence a slight increase in the Gross profit margin (33.20% vs. 32.00% on the previous period), mainly driven by the "Renewables" sector that reaped the profits of the utilization of the additional capacity and the favorable load factor that enhanced EBITDA gains of 106.80mn.Euros surpassing our estimates for 104.80mn.Euros.

Following the feedback for the company's core operations and the installation of the additional MW capacity, we decide to slightly alternate our basic assumptions regarding our projections for TERNA's ongoing performance. More precisely, we factor in our model the expected earlier implementation of the 1GW capacity as we have already evidenced that the completion of the critical 1GW capacity is clearly feasible while we keep our estimated average load factor in order to reflect the average historical load factor rate. Additionally, we incorporate in our model the company's plans for additional capacity expansion beyond the 1GW critical point. These modifications are slightly changing our estimates regarding the potential stream of FCF for the examined period and lead us to upgrade our Fair Value estimates for our three Risk scenarios already depicted in our previous analysis, (see TERNA ENERGY S.A050517).

Finally, we continue to mention that our Fair Value estimates are highly sensitive to the financial leverage of the company. TERNA's financing needs are covered BY external sources (Bond, Syndicated Loans), leading to higher interest expenses that could negatively impact the shareholder's value (especially in a softer environment for the company's operating profitability) making us cautious regarding the company's liquidity profile and solvency.

Ρήτρα Περιορισμού Ευθύνης:

Απαγορεύεται η αναδημοσίευση του παρόντος χωρίς την άδεια της Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗΣ Α.Ε.Π.Ε.Υ. Οι απόψεις που περιέχονται βασίζονται σε πηγές που θεωρούνται αξιόπιστες, ωστόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. δεν ευθύνεται για την εγκυρότητα, ορθότητα ή αξιοπιστία τους και διατηρεί το δικαίωμα αλλαγής τους χωρίς πρότερη ειδοποίηση. Τόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. όσο και οι διευθύνοντες και υπάλληλοι της δεν φέρουν ουδεμία ευθύνη για οποιαδήποτε συνέπεια των πληροφοριών αυτών. **Το παρόν δεν αποτελεί προσφορά, προτροπή ή επενδυτική πρόταση για αγορά ή πώληση μετοχών ή άλλων κινητών αξιών. Οι επενδύσεις που αναφέρονται ενδέχεται να μην είναι οι ενδεδειγμένες για ορισμένους επενδυτές.**

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Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερίσματος	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk Stock Price < 20% of Fair
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk Stock Price < 10% of Fair
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk 10% < Stock Price < 10%
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk Stock Price > 10% of Fair
OV	Υπερτιμημένη Μετοχή	Overvalued Stock Price > 20% of Fair
NR	Μη Αποτιμημένη Μετοχή	Not Rated